

Agenda Item #

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ROUND LAKE SANITARY DISTRICT

**FINANCIAL STATEMENTS AND
AUDITORS' REPORT**

APRIL 30, 2007

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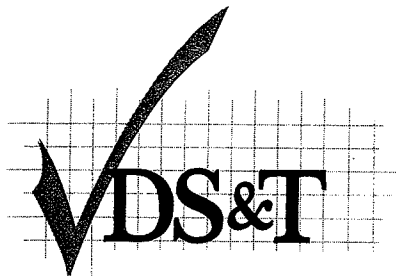
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D A M , S N E L L & T A V E I R N E , L T D .

C E R T I F I E D • P U B L I C • A C C O U N T A N T S

INDEPENDENT AUDITORS' REPORT

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BARBARA A. HARPOLD CPA
PATRICK L. MCCANN

To the Board of Trustees
Round Lake Sanitary District
Round Lake, Illinois

We have audited the accompanying financial statements of the governmental activities and the major fund of Round Lake Sanitary District (the "District") as of and for the year ended April 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1C, the District prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets – modified cash basis of Round Lake Sanitary District, as of April 30, 2007, and its revenues collected and expenditures – modified cash basis during the fiscal year then ended, on the basis of accounting described in Note 1C.

The management's discussion and analysis, and budgetary comparisons on Schedule 1 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As is more fully described in Note 9, the District has been named as a Potentially Responsible Party in the U.S. Environmental Agency's investigation into contamination at a local landfill site. Should the site need to be cleaned up, the District could be compelled to participate in defraying some or all of the cost. At this time, it is not possible to predict the extent of the District's liability, if any, for these costs.

Dam, Snell & Taveirne, Ltd.
DAM, SNELL & TAVEIRNE, LTD.
Certified Public Accountants

Fox Lake, Illinois
June 29, 2007

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ROUND LAKE SANITARY DISTRICT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2007

Our discussion and analysis of the Round Lake Sanitary District's financial performance provides an overview of the District's financial activities for the fiscal year ended April 30, 2007. Please read it in conjunction with the audit report and financial statements.

FINANCIAL HIGHLIGHTS

- The District's net assets, which equal total assets minus total liabilities, were \$453,433 and \$ 451,101 at the end of the 2007 and 2006 fiscal years, respectively.
- Unrestricted net assets, which are assets that may be used to meet the District's ongoing obligations to residents and creditors, were \$257,220 and 245,538 at the end of the 2007 and 2006 fiscal years, respectively.
- Revenues of \$45,313 exceeded expenses of \$42,981 by \$2,332. Prior year expenses of \$46,021 exceeded revenues of \$ 35,607 by \$10,414.
- The District's undesignated cash and investment balance at April 30, 2007 was \$262,912 representing a increase of \$10,952 from the prior year of \$251,960.
- The District has been named as a Potentially Responsible Party in an Environmental Protection Agency investigation into contamination at a local landfill site. Further information regarding this matter is detailed in the notes to financial statements.
- The contract with Lake County expired March, 2007. A new contract is presently under negotiation.

USING THIS ANNUAL REPORT

The government-wide financial statements focus on the District as a whole. This presentation is designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. They consist of a Statement of Net Assets and a Statement of Activities (Exhibits A and B of the report). These financial statements are prepared using the modified cash basis of accounting, which is described in the notes to financial statements.

The Statement of Net Assets presents information on the District's assets and liabilities arising from cash transactions, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activity presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as revenues are received or expenditures are paid. This cash basis has been modified to reflect depreciation on fixed assets.

FUND FINANCIAL STATEMENTS

Fund financial statements (Exhibits C through F of the report) provide additional detail about District funds. The District maintains only one fund for accounting purposes. The general fund is classified as a governmental fund. Governmental funds generally focus on how cash flows in and out of the District, and the balances available at year end that are available for spending.

ROUND LAKE SANITARY DISTRICT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2007

The following table presents a summary of the changes in net assets for the fiscal year ended April 30, 2007 and 2006:

Table 2
Changes in Net Assets
Fiscal Years Ended April 30, 2007 and 2006

	2007	2006	Amount Change	Percentage Change
Revenues				
Operating revenues				
Charges for services	\$ -	\$ -	\$ -	0.00%
Nonoperating income				
Personal property replacement tax	21,446	19,737	1,709	8.66%
Investment Income	23,867	15,870	7,997	50.39%
Other	-	-	-	0.00%
Total revenues	45,313	35,607	9,706	27.26%
Expenses				
Office	2,919	3,441	(522)	-15.17%
Salaries and other compensation	17,497	25,981	(8,484)	-32.65%
Insurance	9,219	5,749	3,470	60.36%
Depreciation	9,350	9,350	-	0.00%
Other	3,996	1,500	2,496	166.40%
Total expenses	42,981	46,021	(3,040)	-6.61%
Increase (decrease) in net assets	2,332	(10,414)	12,746	122.39%
Beginning of year	451,101	461,515	(10,414)	-2.26%
End of year	\$ 453,433	\$ 451,101	\$ 2,332	0.52%

Net assets of the District increased by \$2,332 in 2007 compared to a decrease of \$10,414 in 2006, from a beginning total of \$451,101 to an ending total of \$453,433.

Total District revenues equaled \$45,313, and were more than total expenses of \$42,981 by \$2,332 in 2007 compared to revenues of \$35,607 less expenses of \$46,021, a decrease of \$10,414 in 2006.

Investment income represents primarily interest on certificates of deposit. The District does not levy a property tax, although it has the power to do so.

ROUND LAKE SANITARY DISTRICT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2007

ANALYSIS OF SIGNIFICANT BUDGETARY VARIATIONS

The financial statements and legally adopted budget are prepared using the cash basis of accounting. The District's spending was significantly below budgeted amounts. Amounts budgeted for possible studies, reviews, and intergovernmental grant expenses, were not expended during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets (net of accumulated depreciation) for its governmental activities as of April 30, 2007 was \$193,213 and \$205,563 as of April 30, 2006. This investment in capital assets includes land, sewer mains, a building and lift station. There were no acquisitions during 2007. The assets are operated and maintained by the County of Lake under an intergovernmental agreement.

Table 3
Capital Assets (net of depreciation)
Fiscal Year Ended April 30, 2007 and 2006

	2007	2006
Land	\$ 32,338	\$ 32,338
Building and lift station	14,025	15,275
Sewer mains	149,850	157,950
Totals	<u>\$ 196,213</u>	<u>\$ 205,563</u>

Debt

On April 30, 2007, the District had an outstanding demand note balance due to the Illinois Municipal Retirement Fund in the amount of \$270,633. The amount was borrowed against the District's excess IMRF reserve balance. The note bears no interest, and is repayable in full within five years of the District's hiring of an employee that would qualify for enrollment in IMRF.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's appointed officials considered many factors when setting the fiscal-year 2007-2008 budget and the associated property tax rates and charges for services. Revenue and expenses are expected to be similar in the coming year. The total appropriated original budget was equal to \$257,500.

The intergovernmental agreement with the County of Lake expired March 11, 2007. The District is meeting with the county regarding renewal of the contract.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office at 775 Long Lake Drive, Round Lake, IL 60073.

ROUND LAKE SANITARY DISTRICT
GOVERNMENT - WIDE FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS (MODIFIED CASH BASIS)
APRIL 30, 2007

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 262,912
Designated investments-For repayment of demand note	270,633
Capital assets	
Land	32,338
Depreciable buildings, property and equipment, net	<u>163,875</u>
Total assets	<u>\$ 729,758</u>
LIABILITIES	
Current liabilities	
Escrow deposits	\$ 5,692
Non-current liabilities-IMRF demand note	<u>270,633</u>
Total liabilities	<u>276,325</u>
NET ASSETS	
Invested in capital assets, net of related debt	196,213
Unrestricted	<u>257,220</u>
Total net assets	<u>453,433</u>
Total liabilities and net assets	<u>\$ 729,758</u>

See accompanying notes to financial statements.

ROUND LAKE SANITARY DISTRICT
GOVERNMENT - WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
FOR THE YEAR ENDED APRIL 30, 2007

		Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES				
Sanitary sewer system administration	\$ 33,631	\$ -	\$ -	\$ (33,631)
Depreciation	9,350	-	-	(9,350)
Total governmental activities	<u>\$ 42,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(42,981)</u>
General Revenues:				
Taxes				
Personal property replacement taxes				21,446
Investment earnings				23,867
Miscellaneous				-
Total general revenues				<u>45,313</u>
				Change in net assets 2,332
				Net assets - beginning of year <u>451,101</u>
				Net assets - end of year <u>\$ 453,433</u>

See accompanying notes to financial statements.

ROUND LAKE SANITARY DISTRICT
STATEMENT OF ASSETS AND LIABILITIES (CASH BASIS)
GOVERNMENTAL FUND (GENERAL FUND)
APRIL 30, 2007

ASSETS

Cash and investments	\$ 262,912
Designated investments	<u>270,633</u>
Total assets	<u>\$ 533,545</u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Escrow deposits	\$ 5,692
Total liabilities	<u>5,692</u>

FUND EQUITY

Designated fund balance	270,633
Unreserved fund balances	<u>257,220</u>
Total fund equity	<u>527,853</u>

Total liabilities and fund equity	<u>\$ 533,545</u>
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See accompanying notes to financial statements.

ROUND LAKE SANITARY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF ASSETS AND LIABILITIES (CASH BASIS) TO THE STATEMENT OF NET ASSETS
APRIL 30, 2007

Total fund balances - governmental fund \$ 527,853

Amounts reported for governmental activities in the Statement of Net Assets are different due to:

The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in the governmental funds. The Statement of Net Assets includes those capital assets among the assets of the District as a whole.

Cost of capital assets	\$ 487,338
Depreciation expense to date	<u>(291,125)</u>
	196,213

Long term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long term are reported in the Statement of Net Assets.

IMRF demand note payable	<u>(270,633)</u>
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Net assets of the governmental activities	<u>\$ 453,433</u>
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See accompanying notes to financial statements.

ROUND LAKE SANITARY DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUND (GENERAL FUND)
YEAR ENDED APRIL 30, 2007

RECEIPTS	
Personal Property Replacement Tax	\$ 21,446
Investment income	<u>23,867</u>
Total receipts	<u>45,313</u>
DISBURSEMENTS-Administration of sanitary sewer system	
Office	2,919
Salaries and other compensation	17,497
Insurance	9,219
Other disbursements	<u>3,996</u>
Total disbursements	<u>33,631</u>
Excess of receipts over (under) disbursements	11,682
FUND BALANCES - Beginning	<u>516,171</u>
FUND BALANCES - Ending	<u>\$ 527,853</u>

See accompanying notes to financial statements.

ROUND LAKE SANITARY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS (CASH BASIS)
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2007

Net change in fund balances - total governmental funds \$ 11,682

Amounts reported for governmental activities in the Statement of Activities are different due to:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.

Depreciation expense	\$ (9,350)	
Capital outlays	<u>-</u>	<u>(9,350)</u>
Change in net assets of governmental activities	<u>\$ 2,332</u>	

See accompanying notes to financial statements.

ROUND LAKE SANITARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Round Lake Sanitary District's major operation is to monitor and provide sanitary sewer service to residents of the District. The District is governed by a three member board of trustees. A summary of the District's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

A. Principles used to Determine Scope of Entity – The District is a primary governmental unit as defined by Governmental Accounting Standards Board Statement No. 14. GASB 14 has been applied to determine that no component units should be included in the District's reporting entity.

B. Basis of Presentation –

Government-wide Financial Statements – The Government-wide financial statements (The Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. All of the District's operating activities are considered "governmental activities", that is, activities that are normally supported by taxes and intergovernmental revenues. The District has no operating activities that would be considered "business activities".

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operations or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues instead.

Fund Financial Statements - The accounts of the District in the governmental fund financial statements are organized and operated on the basis of funds. A fund is an independent accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund balance, revenues collected, and expenditures paid. Fund accounting segregates funds according to their intended purpose, and is used to aid management in demonstrating compliance with finance-related legal and managerial requirements.

Separate financial statements are provided for all governmental funds.

C. Measurement Focus and Basis of Accounting – The government-wide financial statements are reported on the modified cash basis of accounting. Governmental funds are used to account for the District's general government activities. The District maintains its accounting records for all funds on the modified cash basis of accounting. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions. The cash basis of accounting is modified by reflecting accumulated depreciation and depreciation expense related to capital assets on the government wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Modified cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions.

The District accounts for all of its activities in the General Fund.

D. Budgets and Budgetary Accounting – The budget for all funds is prepared on the cash basis of accounting, which is the same basis that is used in financial reporting. This allows for comparability between budget and actual amounts. The budget, which was not amended, was passed on June 15, 2006. For each fund, total fund expenditures disbursed may not legally exceed the budgeted amounts. The budget lapses at the end of each fiscal year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Board of Trustees prepares a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The budget is legally adopted through passage of an ordinance.
4. The District is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total disbursements of any fund must be approved by the Board after a public hearing.
5. Formal budgetary integration is employed as a management control device during the year.

E. Cash and Cash Equivalents - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments, with original maturities of three months or less from the date of acquisition.

F. Assets, Liabilities and Net Assets

Investments – Investments are stated at cost which approximates fair value. Gains or losses on the sale of investments are recognized upon realization. The institutions in which investments are made must be approved by the Board.

Inventories – It is the District's policy to charge all purchases of items for resale or supplies to expenditures when purchased. No inventory accounts are maintained to reflect the values or resale or supply items on hand.

Capital Assets - Capital assets, which include land, land improvements, buildings, infrastructure, machinery and equipment, and construction in progress, are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life of five years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation of capital assets is provided using the straight line method over the following estimated useful lives; land improvements – 10 years, buildings – 40 years, infrastructure – 50 years, machinery and equipment – 10 years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statements of net assets. Bond premiums, discounts and issuance costs are reported during the current period. In the fund financial statements, governmental funds recognize bond premiums, discounts, and issuance costs in the current period as other financing sources or uses. Likewise, the face amount of the debt issued is reported as other financing sources.

Restricted Net Assets – For the government-wide financial statements, net assets are reported as restricted when constraints placed on net asset use are either: (1) Externally imposed by creditors, grantors, contributors, laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

In fund financial statements, reservations of fund balance represent amounts that are not available for other appropriations, or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

G. Use of estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the accounting period. Actual amounts could vary from those estimates.

NOTE 2- CASH AND INVESTMENTS

The District is allowed to invest in securities as authorized by the Illinois Compiled Statutes. The District adopted an investment policy on July 21, 2005 to place all available funds in interest bearing accounts such as certificates of deposit and money market accounts.

Deposits – At April 30, 2007, the carrying amount of the District's deposits was \$533,545. The bank balance of \$533,994 was covered by FDIC insurance and collateralized with securities held by the financial institution's agent in the District's name.

Interest rate risk. At April 30, 2007 all District investments had a maturity of six months or less. District policy is to match maturities with cash flow requirements, with a portion continuously invested in readily available funds.

Credit risk. The money markets and certificate of deposit accounts the District invests in only make investments that are permitted by the Illinois Compiled Statutes.

Custodial credit risk. For an investment, custodial credit is risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are registered in the District's name. District policy requires that bank deposits in excess of FDIC limits are collateralized with securities held by the financial institution's agents in the District's name. At April 30, 2007 \$433,994 of deposits exceeded FDIC limits and were collateralized with securities held by the financial institution's agents in the District's name.

NOTE 3 – CAPITAL ASSETS

Capital asset activity of the District for the year ended April 30, 2007 was as follows:

	Beginning Balances *	Increases	Decreases	Ending balances
Capital assets-not being depreciated				
Land	\$ 32,338	\$ -	\$ -	\$ 32,338
Other capital assets				
Buildings and lift station	50,000			50,000
Infrastructure-sewer mains	405,000			405,000
Machinery and equipment	-			-
	<u>455,000</u>	<u>-</u>	<u>-</u>	<u>455,000</u>
Less accumulated depreciation				
Buildings and lift station	34,725	1,250		35,975
Infrastructure-sewer mains	247,050	8,100		255,150
Machiner and equipment	-	-		-
	<u>281,775</u>	<u>9,350</u>	<u>-</u>	<u>291,125</u>
Total other capital assets	<u>173,225</u>	<u>(9,350)</u>	<u>-</u>	<u>163,875</u>
Total capital assets	<u>\$ 205,563</u>	<u>\$ (9,350)</u>	<u>\$ -</u>	<u>\$ 196,213</u>

Depreciation was charged to sewerage system expenses.

NOTE 4 - RETIREMENT SYSTEM COMMITMENTS

A. Illinois Municipal Retirement Fund – The District is an inactive member in the Illinois Municipal Retirement Fund (IMRF). The District has accumulated assets in the IMRF employer reserve. IMRF has agreed to loan a portion of the reserve back to the District because of its inactive status. The District received \$270,633 during the fiscal year ended April 30, 2002. Should the District hire an employee eligible for IMRF participation, the District would become an active member of IMRF. Within five years of the employee's enrollment in IMRF, the District will be required to repay the \$270,633 to IMRF without interest.

B. Social Security – Current District employees, who do not qualify for coverage under the Illinois Municipal Retirement Fund, are covered under Social Security. The District paid \$459, the total required contribution for the current fiscal year.

NOTE 5 - SUMMARY OF CHANGES IN GENERAL LONG-TERM DEBT

During the year ended April 30, 2007, the following is the long-term liability activity for the District:

	Balance April 30, 2006	Proceeds	Decreases	Balance April 30, 2007
Governmental activities:				
IMRF Demand Note	\$ 270,633	\$ -	\$ -	\$ 270,633

See note to financial statements number four for details of the IMRF demand note.

NOTE 6 - RETRICTED CASH/DESIGNATED FUND BALANCE

Cash and fund balance in the amount of \$270,633 have been designated for repayment of the IMRF demand note referred to in notes four and five.

NOTE 7 - CONTINUED OPERATIONS AS ROUND LAKE SANITARY DISTRICT

The County of Lake has taken over the operations of the District under the County's Department of Public Works. The County leases all property, buildings and lift station of the existing sewerage treatment system for one dollar per year. The agreement expired March 11, 2007. The District is presently in negotiations to renew the contract. Because of the above agreement, the District has abated all tax levies after 1983.

NOTE 8 - RISK FINANCING

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries public officials liability coverage through a commercial carrier. Commercial general liability coverage was acquired during the year due to the expiration of the contract with the County of Lake.

During the year ended April 30, 2007, there were no reductions in coverage. Also, there have been no settlement amounts that exceeded insurance coverage in the past three years.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

The U.S. Environmental Protection Agency (USEPA) is investigating the source, extent and nature of the release or threatened release of hazardous substances, pollutants or contaminants at the H.O.D. Landfill site, Antioch, Illinois. The USEPA is also investigating the ability of persons connected with the site to pay for or perform a clean up of the site. The Round Lake Sanitary District has been ordered to respond to certain information requests by the USEPA.

Pursuant to an Illinois Environmental Protection Agency (IEPA) permit, the District disposed of liquid digested sludge from the District's sewage treatment plant in the H.O.D. Landfill. Because of a reclassification of 'sludge' under USEPA regulations, the existence of such sludge in the H.O.D. landfill site causes the Round Lake Sanitary District to be one of twelve Potentially Responsible Parties (PRP's). The liability of PRP's can be joint and/or separable for the costs of compliance under the Superfund Act.

NOTE 9 – COMMITMENTS AND CONTINGENCIES (Continued)

Should the site need to be cleaned up, all PRP's including the Round Lake Sanitary District can be compelled to participate in defraying some of these costs. Because of the relatively minor nature of the degree of contribution by the District to the site, it is management's opinion that outside financial responsibility of the District toward the clean up costs should not be disproportionate to the District's contribution to the problem. There is no way that an estimate of such costs could be obtained at this time. Given the nature of the problem and the costs associated with other clean-ups around the nation, the District's contribution to the overall cost may have to be significant in relation to the District's customary budgeting practices.

In May 1993, the District accepted the terms of a proposed consent decree and sharing agreement that limits the liability of the District for response costs through August 19, 1990 to \$6,250. The consent decree was approved by the U. S. Justice Department and payment was made in September of 1993. Response costs and remediation costs accruing after August 19, 1990 may still be claimed against the District. At the present time, there is a claim pending for these costs.

ROUND LAKE SANITARY DISTRICT
SCHEDULE OF CASH OPERATIONS
CURRENT YEAR ACTUAL COMPARED TO CURRENT BUDGET
GENERAL FUND
APRIL 30, 2007

	Budget Original and final	Actual
CASH RECEIPTS		
Replacement tax	\$ 22,000	\$ 21,446
Interest income	24,000	23,867
Miscellaneous income	-	-
Total cash receipts	<u>46,000</u>	<u>45,313</u>
DISBURSEMENTS		
Office expenditures		
Postage	150	33
Publishing	800	122
Miscellaneous	50	-
Bookkeeping supplies	100	14
Newsletter	5,000	-
Audit	3,500	2,750
Total office expenditures	<u>9,600</u>	<u>2,919</u>
Compensation expenditures		
Reimbursed attorney fees	2,500	-
Trustee salaries	6,000	6,000
Maintenance labor at plant	1,000	-
Miscellaneous engineering fees	9,000	-
Bookkeeping services	4,500	3,937
Attorney	7,000	7,101
Social security	500	459
Total compensation	<u>30,500</u>	<u>17,497</u>
Maintenance of plant and sewer lines		
Plant repairs	6,000	-
Equipment repairs	2,000	-
Total maintenance of plant and lines	<u>8,000</u>	<u>-</u>
Insurance		
General liability	1,000	3,734
Surety bonds	1,100	675
Public officials and employee liability	6,000	4,810
Total insurance	<u>8,100</u>	<u>9,219</u>
Plant site expenditures		
Drainage correction	1,000	-
Demolition of building	2,000	-
	<u>3,000</u>	<u>-</u>

SCHEDULE 1

ROUND LAKE SANITARY DISTRICT
 SCHEDULE OF CASH OPERATIONS
 CURRENT YEAR ACTUAL COMPARED TO CURRENT BUDGET
 GENERAL FUND
 APRIL 30, 2007

	Budget Original and final	Actual
Contingent expenses		
Incidental expenses/ dues	4,000	2,093
Intergovernmental grant expenses	102,300	-
Fox Lake Treatment plant expansion review	10,000	1,903
Participation in Illinois Assn of Sanitary District study of alternative systems and user rate stabilization study	20,000	-
Contingency	50,000	-
Total contingent expenses	<u>186,300</u>	<u>3,996</u>
 Total cash disbursements	 <u>245,500</u>	 <u>33,631</u>
 Excess (deficiency) of cash receipts over disbursements	 (199,500)	 11,682
 FUND BALANCE - Beginning	 <u>516,171</u>	 <u>516,171</u>
 FUND BALANCE - Ending	 <u>\$ 316,671</u>	 <u>\$ 527,853</u>

